

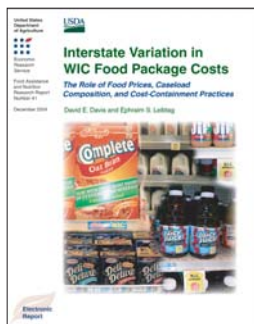
ERS *Report Summary*

Food Assistance

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Interstate Variation in WIC Food Package Costs

The Role of Food Prices, Caseload Composition, and Cost-Containment Practices

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The WIC program (formally known as The Special Supplemental Nutrition Program for Women, Infants, and Children) provides nutrition education, referrals to health care and other social services, and foods to supplement diets of low-income pregnant and postpartum women, and infants and children up to age 5. WIC is the third largest Federal nutrition assistance program, trailing only the Food Stamp and the National School Lunch Programs. WIC, which operates through a Federal/State/local partnership, is not an entitlement program and the number of participants that can be served depends on the annual appropriation and the cost of operating the program. Because food costs are about 75 percent of total program expenditures, containing food costs is an effective way to reduce program expenditures and extend service to more eligible people.

What Is the Issue?

Average monthly food costs per participant vary markedly across continental States, ranging in 2002 from \$26.70 in Maine, to \$41.43 in Connecticut. Little is known about the factors that create interstate cost variation.

At one extreme, the variation may result from differences in how States contain costs. States frequently enact policies meant to reduce food costs, such as requiring participants to purchase milk only in gallon containers. If all interstate food cost variation were from differing policies, then policies in low-cost States could provide cost-cutting insights for high-cost States. At the other extreme, the variation may be caused by factors that State WIC administrators cannot control (such as food prices or the proportions of enrollees qualifying for different foods).

In reality, factors both within and outside State control cause variations in food cost. By studying the associations between the variables affecting WIC costs that States can actually influence, it may be possible to lower expenditures (and thus increase enrollment) in the higher cost States. And understanding these associations may stop States from enacting policies that will have little effect on costs and that may, instead, lower participant satisfaction with the program.

What Did the Study Find?

Variations in food prices across the nation played the largest role in the differing costs of WIC food packages from State to State; the differing composition of participants played a much smaller role.

Food prices for identical items can vary from State to State. We measured the portion of cost differences resulting from this price variation and found it to be the most important factor.

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Each group of enrollees (women, infants, or children) in the program qualifies for a different food package. These packages differ in cost, so variation in overall average food costs can arise as the mix of enrollees (composition of participants) differs across States. The portion of food cost differences resulting from participant composition differences was usually much smaller than the portion owing to price differences.

Food package costs also vary because savings from identical cost-containment practices differ across States.

The savings from cost-containment practices depend on two factors:

- o The price reduction associated with the practice. For example, buying one gallon of milk is usually less expensive than buying two half-gallons.
- o Consumer behavior in reaction to the practice. If WIC households already primarily purchase gallon containers of milk, then a cost-containment practice requiring them to buy only gallon containers will not generate much in cost savings.

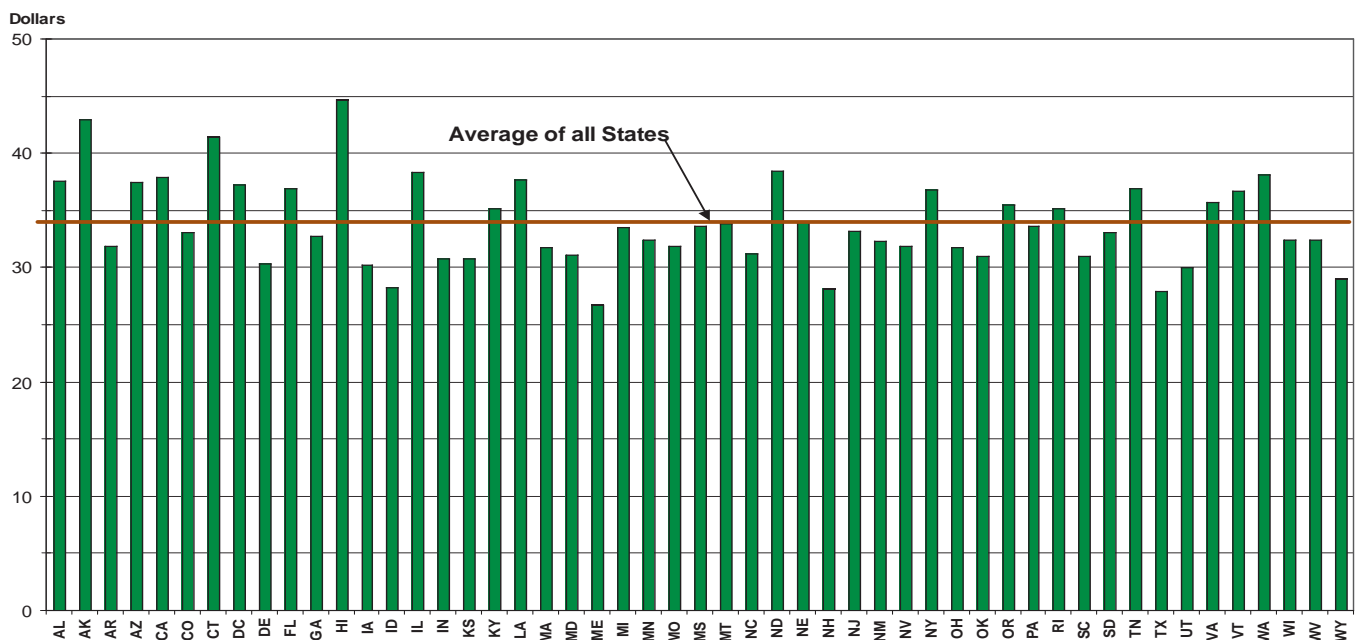
How Was the Study Conducted?

Because few data exist on the actual foods WIC participants purchase and the prices they pay, we simulated the purchase decisions of participants. Information on food prices came from scanner data of food purchases in supermarkets. Data on the composition of State caseloads came from USDA's Food and Nutrition Service. We used Federal WIC regulations to identify the maximum quantity of food available in each of the different food packages for WIC participants. This information enabled us to simulate State-specific average monthly food costs.

The difference between each State's estimated average monthly food cost and an overall average cost was separated into two parts: a price effect and a caseload effect. The price effect represented the portion of a State's cost difference (between it and the overall average) due to differences in food prices. The caseload effect represented the portion of the State's cost difference due to differences in WIC caseload compositions.

We estimated cost savings from cost-containment practices by simulating unrestricted (i.e., those not subject to any cost-containment measures) and restricted food packages. Unrestricted packages were simulated using prices from nearly all types of food items, while restricted food packages included prices for items allowed under a specific cost-containment practice. Cost savings from the cost-containment practice were the difference between the unrestricted and restricted food packages.

Average monthly food benefit per participant, FY 2002



Source: USDA's Food and Nutrition Service